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File - misc personnel.

Central Intelligence Agency

Washington, D.C. 20505

OCA 86-3583

30 OCT 1986

The Honorable Lee Hamilton
Chairman
Permanent Select Committee on
Intelligence
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of 18 July 1986 reflecting your continued interest in the effect of tax reform legislation on the number of Agency retirements. Because we had provided information to your Committee on this issue in mid-July, we have delayed responding to your letter until we could provide a meaningful update. As you may recall, we advised the Committee in our letter of 14 July of significant increases in the number of Agency employees retiring this year, owing in large part to the proposed elimination of the three-year recovery rule.

Late changes in the law, however, have changed our problem. The loss of key personnel due to early retirements may be over. With the enactment of the tax reform bill, repealing the three-year recovery rule, we fully expect retroactivity will have a dampening effect on Agency retirements. Our retirements in July, August, and September 1986 evidence a sharp decrease from earlier this year and are more in line with what we experienced last year. We had

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September 1986 versus [redacted] STAT for the same months, respectively in 1985. Consequently, we are not anticipating the need to replace large numbers of our most experienced personnel as we had feared earlier.

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While we believe that our earlier concerns about new retirements will not be realized, we now face a new potential problem because of the new tax changes. We fear that some potential Agency employees may view Federal service as less attractive because of these changes and choose to work elsewhere. We also believe that some current Agency employees, especially those early in their career, might choose to leave the Agency in increasing numbers in favor of employment in the private sector. Such employees could be motivated by the tax changes, as well as by the fear that future legislation could further diminish benefits for Federal service. As you are aware, the new Federal Employees Retirement System, because of the portability of many retirement benefits, will probably also encourage more employees to leave the Federal government.

We continue to be concerned about the impact of recent and pending legislation on employee retirements. We will stay close to the effect that this legislation will have on our ability to recruit and retain the numbers and kinds of employees necessary to accomplish our missions. We appreciate your interest and the concern that you have shown about the potential loss of our experienced employees because of changes in retirement benefits. We will keep you advised of any adverse trends that we see resulting from these recent legislative actions. A copy of this letter has been forwarded to Representative Bob Stump.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

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